

## Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 DOE-11 SIG-01 NEA-10  
SOE-02 AID-05 CEA-01 CIAE-00 COME-00 DODE-00 H-01  
INR-10 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05  
USIA-06 OES-07 SP-02 SS-15 STR-07 TRSE-00 ACDA-12  
NRC-05 /145 R

DRAFTED BY EB/ORF/FSE:REHECKLINGER:MEM  
APPROVED BY EB/ORF/FSE:GARSEN  
DOE/IA - JTREAT (SUBS)  
EUR/RPE - CKSTOCKER  
-----117188 221815Z /46

R 221530Z FEB 78  
FM SECSTATE WASHDC  
TO AMEMBASSY ATHENS  
AMEMBASSY PARIS  
AMEMBASSY BONN  
AMEMBASSY ROME  
AMEMBASSY BERN  
AMEMBASSY STOCKHOLM  
AMEMBASSY COPENHAGEN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY LONDON  
AMEMBASSY THE HAGUE  
AMEMBASSY BRUSSELS  
AMEMBASSY OTTAWA  
AMEMBASSY TOKYO  
AMEMBASSY VIENNA  
AMEMBASSY MADRID  
AMEMBASSY ANKARA  
AMEMBASSY WELLINGTON  
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USOECD, USEEC ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: ENRG, IEA

SUBJECT: ENERGY: IEA/SLT MEETING OF JANUARY 16, 17, 18

1, AT ITS JANUARY 16-18 MEETING, THE STANDING GROUP ON  
LONG-TERM COOPERATION (SLT) OF THE INTERNATIONAL ENERGY

AGENCY (IEA) REVIEWED THE ENERGY PROGRAMS OF GERMANY, ITALY, SPAIN, NEW ZEALAND, IRELAND AND LUXEMBOURG. THE REVIEWS ARE BASED ON IEA MEMBER COUNTRIES' REPLIES TO A QUESTIONNAIRE ON ENERGY AND A DOCUMENT PREPARED BY THE IEA SECRETARIAT SUMMARIZING ENERGY POLICY AND PROGRAM DEVELOPMENT AND HIGHLIGHTING KEY ISSUES FOR DISCUSSION. OUR OECD MISSION HAS LOANED RELEVANT DOCUMENTS TO EMBASSIES. A SUMMARIZED VERSION OF ENERGY PROSPECTS AND SLT DISCUSSION FOR EACH COUNTRY FOLLOWS:

NOTE: MOST FIGURES ARE EXPRESSED IN MTOE (MILLION TONS OF OIL EQUIVALENT) PER YEAR. 50 MTOE PER YEAR EQUALS ABOUT ONE MILLION BARRELS OF OIL EQUIVALENT PER DAY.

2) GERMANY: OIL IMPORTS CURRENTLY MEET A LITTLE MORE THAN HALF OF GERMANY'S TOTAL ENERGY REQUIREMENTS. THEY ARE PROJECTED TO INCREASE FROM 134.3 MTOE IN 1976 TO 151 MTOE IN 1985, WHICH REPRESENTS ABOUT ONE EIGHTH OF

THE IEA'S GROUP TARGET FOR 1985 OF 26 MILLION BARRELS PER DAY. SINCE THERE IS LITTLE POTENTIAL TO INCREASE DOMESTIC PRODUCTION OF OIL, GAS, AND COAL, THE FRG'S ENERGY STRATEGY IS BASED UPON CONSERVATION, EXPANSION LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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OF NUCLEAR POWER, AND INCREASED GAS IMPORTS. THE FRG HAS CHANGED ITS APPROACH TO CONSERVATION DURING THE PAST YEAR FROM A HEAVY RELIANCE ON ENERGY PRICING POLICY TO A WILLINGNESS TO INSTITUTE A COMPREHENSIVE PROGRAM OF INCENTIVES AND REGULATIONS.

THE UNOFFICIAL PROJECTIONS SUBMITTED BY THE GERMANS SHOW AN INCREASE IN NUCLEAR POWER (5.6 MTOE (76) TO 34.9 MTOE (85) AND 58.2 MTOE (90), AN INCREASE IN GAS IMPORTS (21.7 MTOE (76) TO 46.8 MTOE (85), AND A SMALL DROP IN COAL PRODUCTION (89.3 TO 82.2 MTOE). TP/GDP RATIO IS PROJECTED TO DECREASE FROM 1.21 (76) TO 1.12 (85). OIL IMPORTS AS A PERCENTAGE OF TPE ARE PROJECTED TO DECLINE TO 46.9 PERCENT BY 1985.

KEY ISSUES DISCUSSED IN THE SLT INCLUDED: (A) STATUS OF NUCLEAR PROGRAM, PARTICULARLY THE RESTRICTION THAT PLANTS BE BUILT ONLY IF THERE IS A "RESIDUAL NEED", (B) NATIONAL COAL POLICY, INCLUDING THE SUBSIDIZING AND PRICING OF DOMESTIC HARD COAL, AND THE POSSIBILITY FOR INCREASED USE OF IMPORTED COAL, (C) SOURCES OF IMPORTED GAS, (D) PROSPECTS FOR RENEWABLE ENERGY SOURCES, (E) THE NEW CONSERVATION PROGRAM, ESPECIALLY INCENTIVES FOR INSULATION OF NEW AND EXISTING BUILDINGS, (F) ADEQUACY OF DISTRICT HEATING PROGRAM, (G) THE NEED FOR SPEED LIMITS AND FUEL EFFICIENCY STANDARDS,

(H) ENERGY PRICING POLICIES, (I) THE ABSENCE OF OFFICIAL ENERGY PROJECTIONS.

3) ITALY: ONLY ABOUT 19 PERCENT OF ITALY'S ENERGY DEMAND IS NOW MET BY DOMESTIC SUPPLY. ITALY DEPENDS ON OIL IMPORTS TO MEET ABOUT 67 PERCENT OF ITS ENERGY REQUIREMENTS. THOUGH THIS IS PROJECTED TO DROP TO 63 PERCENT BY 1985, THE ACTUAL LEVEL OF OIL IMPORTS IS PROJECTED TO RISE FROM 90.8 MTOE (76) TO 126 MTOE (85). THIS LATTER FIGURE REPRESENTS ABOUT 10 PERCENT OF THE LIMITED OFFICIAL USE  
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IEA 1985 TARGET OF 26 MILLION BARRELS OF OIL IMPORTS PER DAY. ITALY HAS SOME NATURAL GAS AND HYDROPOWER, BUT DOMESTIC OIL AND COAL RESOURCES ARE NEGLIGIBLE. IT THEREFORE LOOKS TOWARD THE DEVELOPMENT OF NUCLEAR POWER, INCREASED IMPORTS OF NATURAL GAS, AND CONSERVATION TO CONTROL ITS HEAVY DEPENDENCE UPON IMPORTED OIL.

THE ENERGY BALANCES SUBMITTED PROJECT AN INCREASE IN NUCLEAR POWER FROM 0.8 MTOE IN 1976 TO 10.0 MTOE IN 1985. GAS IMPORTS WILL INCREASE FROM 9.7 MOTE (76) TO 19.7 MTOE (85). PRODUCTION OF DOMESTIC HYDROPOWER, GAS, AND OIL IS EXPECTED TO INCREASE BY OVER 7 MTOE BY 1985. TPE/GDP RATIO IS TO REMAIN CONSTANT, AT 1.24. TPE IS PROJECTED TO JUMP FROM 136.0 MTOE (76) TO 199.5 MTOE (85).

KEY ISSUES DISCUSSED IN THE SLT INCLUDED: (A) STATUS OF THE NUCLEAR PROGRAM, INCLUDING PROBLEMS OF SITING, SUPPLY, FINANCING, AND WASTE MANAGEMENT, (B) POSSIBLE USE OF IMPORTED COAL FOR POWER GENERATION, PARTICULARLY INFRASTRUCTURE LIMITATIONS, (C) SOURCES AND UTILIZATION OF IMPORTED GAS, (D) CHANGES IN ELECTRICITY TARIFFS, (E) INCENTIVES TO INCREASE THERMAL EFFICIENCY IN THE RESIDENTIAL SECTOR, (F) CONSERVATION MEASURES IN THE INDUSTRIAL SECTOR, AND (G) FOR COMIC RELIEF -- ITALY'S VARIABLE SPEED LIMITS BASED ON ENGINE SIZE (THE BIGGER THE ENGINE, THE FASTER THE CAR IS ALLOWED TO GO).

4) SPAIN: SPAIN PROJECTS A MODEST RISE IN OIL IMPORTS, FROM 45.6 MTOE (76) TO 47.4 MTOE (85) AND A GREATER JUMP TO 52 MTOE BY 1990. THESE FIGURES ARE BASED UPON THE IMPLEMENTATION OF A COMPREHENSIVE ENERGY PLAN  
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WHICH, AT THE TIME OF THE SLT MEETING, HAD NOT YET

BEEN SUBMITTED TO THE PARLIAMENT.

THE ENERGY BALANCES SUBMITTED PROJECT AN INCREASE IN DOMESTIC OIL PRODUCTION (1.7MTOE (76) TO 7.5 MTOE (85)), IN COAL PRODUCTION (7.1 TO 13.0 MTOE), HYDROPOWER PRODUCTION (5.2 TO 9.2 MTOE), AND GAS IMPORTS (1.3 TO 7.0 MTOE). PRODUCTION OF NUCLEAR ENERGY IS PROJECTED TO RISE TO 11.3 MTOE IN 1985 (FROM 1.7 IN 1976), A CONSIDERABLE RETREAT FROM LAST YEAR'S PROJECTION OF 20.9 MTOE FOR 1985, BUT STILL AN AMBITIOUS TARGET. THE CONSERVATION PROGRAM OF THE NEW ENERGY PLAN AS WELL AS LOWER PROJECTED ECONOMIC GROWTH RATES, HAVE REDUCED LAST YEAR'S ESTIMATED ENERGY DEMAND FIGURE FOR 1985 FROM 114.0 MTOE TO 98.4 MTOE.

ISSUES DISCUSSED INCLUDED: (A) THE FEASIBILITY OF ACHIEVING NUCLEAR PROJECTIONS, (B) THE EXTENT OF DOMESTIC EXPLORATION FOR OIL, (C) IMPORT AND UTILIZATION OF NATURAL GAS, (D) WHETHER IMPORTED COAL COULD PLAY A GREATER ROLE, PARTICULARLY AS A FALLBACK STRATEGY, (E) ADEQUACY OF INCENTIVES PROVIDED FOR

ENERGY CONSERVATION, (F) ENERGY PRICING POLICIES -- PARTICULARLY IN THE RESIDENTIAL SECTOR, (G) THE PROPOSED 10 PERCENT OIL SUPPLY REDUCTION IN 1978, AND (H) THE FUTURE ROLE OF SOLAR ENERGY.

5) NEW ZEALAND: COMPARED TO MOST OTHER IEA NATIONS, NEW ZEALAND'S ENERGY WORRIES ARE SMALL. BY DEVELOPING ITS INDIGENOUS ENERGY RESOURCES, NEW ZEALAND INTENDS TO MAINTAIN ITS ANNUAL OIL IMPORT LEVEL AT LESS THAN 4 MTOE FOR AT LEAST THE NEXT FIFTEEN YEARS, DESPITE PLANS TO INCREASINGLY INDUSTRIALIZE ITS ECONOMY.

GAS PRODUCTION IS PROJECTED TO TRIPLE BY 1985 (FROM LIMITED OFFICIAL USE  
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0.9 MTOE (76) TO 3.0 MTOE (85)). COAL PRODUCTION WILL INCREASE BY 25 PERCENT (1.7 TO 2.1 MTOE), AND HYDROPOWER AND GEOTHERMAL BY 50 PERCENT (3.9 TO 6.0 MTOE). NEW ZEALAND CURRENTLY DOES NOT SEE THE NEED FOR A NUCLEAR PROGRAM. THE GDP/TPE RATIO IS PROJECTED TO INCREASE FROM 1.43 IN 1976 TO 1.67 IN 1985, REFLECTING PLANS FOR INDUSTRIALIZATION.

AMONG THE KEY ISSUES CONSIDERED WERE: (A) EFFECTIVENESS OF CONSERVATION MEASURES, AND THE POSSIBILITY OF MANDATORY EFFICIENCY STANDARDS FOR INDUSTRY, (B) ELECTRICITY RATES AND FUEL TAXES, (C) DIRECT USE OF NATURAL GAS, (D) WHETHER PRODUCTION AND USE OF COAL SHOULD BE GREATER THAN PROJECTED, (E) WHETHER A NUCLEAR

PROGRAM IS NECESSARY, (F) GOVERNMENT RELATIONS WITH INTERNATIONAL OIL COMPANIES, AND (G) FALLBACK STRATEGY IF PRODUCTION PROJECTIONS ARE NOT MET.

6) IRELAND: DUE TO A CHANGE IN GOVERNMENT IN 1977 AND A DECISION TO REVIEW ALL ASPECTS OF ITS ENERGY POLICY, IRELAND'S ENERGY PROGRAM HAS SEEN LITTLE CHANGE OVER THE PAST YEAR. IRELAND HAS FEW DOMESTIC ENERGY RESOURCES; IMPORTED OIL MET 70 PERCENT OF ITS TOTAL ENERGY REQUIREMENTS IN 1976, AND IF CURRENT TRENDS CONTINUE, WILL MEET 74.6 PERCENT OF ENERGY REQUIREMENTS IN 1985. IRELAND HOPES THAT A COMPREHENSIVE CONSERVATION PROGRAM PLUS DEVELOPMENT OF MODEST OFFSHORE NATURAL GAS DISCOVERIES, INCREASED OFFSHORE EXPLORATION, AND POSSIBLE CONSTRUCTION OF A NUCLEAR PLANT WILL EASE ITS HEAVY DEPENDENCE ON IMPORTED OIL.

THE ENERGY BALANCES ARE NOT PROMISING (THEY REPRESENT CURRENT POLICY AND ARE ESTIMATES NOT TARGETS): PEAT LIMITED OFFICIAL USE  
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PRODUCTION WILL INCREASE SLIGHTLY (1.2 MTOE (76) TO 1/7 MTOE (85), AND SOME GAS WILL COME ON LINE

(1.0 MTOE IN 1985). COAL IMPORTS WILL BARELY INCREASE, BUT OIL IMPORTS WILL RISE FROM 4.9 MTOE (76) TO 10.6 (85) AND 18.2 (90). ENERGY DEMAND IS PROJECTED TO DOUBLE (7.0 TO 14.2 (85), REFLECTING AN AVERAGE ESTIMATED ANNUAL GROWTH RATE OF ABOUT 6 PERCENT.

ISSUES DISCUSSED INCLUDED: (A) PROSPECTS FOR FORMULATION OF A GOVERNMENT ENERGY PLAN, (B) POSSIBILITY FOR STRONG CONSERVATION MEASURES, PARTICULARLY IN THE INDUSTRIAL SECTOR, (C) INCREASING THE ROLE OF IMPORTED COAL IN POWER GENERATION, (D) PROSPECTS FOR CONSTRUCTION OF A NUCLEAR PLANT, AND (E) EXTENT OF EXPLORATION FOR AND UTILIZATION OF NATURAL GAS.

7) LUXEMBOURG: WITH PRACTICALLY NO INDIGENOUS ENERGY RESOURCES, LUXEMBOURG DEPENDS ON IMPORTS FOR VIRTUALLY ALL OF ITS ENERGY REQUIREMENTS. OVER TWO THIRDS OF LUXEMBOURG'S ENERGY SUPPLY IS CONSUMED BY THE IRON AND STEEL INDUSTRY. LUXEMBOURG HAS NO COMPREHENSIVE ENERGY CONSERVATION PROGRAM, AND LOOKS TO GREATER USE OF IMPORTED NATURAL GAS AND POSSIBLY A NUCLEAR PLANT TO REDUCE ITS DEPENDENCE ON IMPORTED OIL. THE IEA SECRETARIAT ESTIMATES THAT OIL IMPORTS WILL RISE FROM 1.44 MTOE IN 1976 TO 1.82 IN 1985.

ISSUES DISCUSSED INCLUDED: (A) THE LACK OF GOVERNMENT ENERGY PROJECTIONS, (B) WHETHER THE IRON AND STEEL

INDUSTRY COULD BE MADE MORE ENERGY EFFICIENT, (C) THERMAL  
EFFICIENCY STANDARDS FOR RESIDENCES AND BUILDINGS,  
(D) SOURCES AND UTILIZATION OF IMPORTED GAS, (E) STATUS  
OF NUCLEAR PROGRAM (NO DECISION YET), (F) POSSIBLE  
USE OF IMPORTED COAL AS FALLBACK STRATEGY, AND  
(G) PETROLEUM PRICING POLICY (QUESTIONS WERE RAISED  
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AS TO WHETHER PETROL PRICES WERE KEPT LOW TO STIMULATE  
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## Message Attributes

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